'Fear is not a strategy': Canadian money managers on how to navigate the market turmoil - and what they're buying

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North American stock markets were hammered on Tuesday, while oil prices jumped and gold fell, as the intensifying war in the Middle East sparked widespread investor panic.

For some investors, the volatility was a buying opportunity, while others stood pat on their investment strategies. The Globe spoke with several Canadian money managers about how they're navigating the current environment:

Ryan Bushell, president and portfolio manager at Newhaven Asset Management Inc. in Toronto

Mr. Bushell believes the current conflict in the Middle East is a continuation of a rapidly changing geopolitical environment, with "far-reaching consequences for investment for the foreseeable future" not just for energy but also for the red-hot technology sector and possibly private assets.

He says the U.S. appears to be realigning the globe's energy flows to combat China's mineral dominance.

"The real world problems of today can't be solved exclusively by technology and thus some of the investment value assigned to certain technology companies could be rapidly reprioritized in the coming months," he says, noting that there has already been a significant shift in that direction so far this year.

"The systemic nature of passive investments and private credit/equity creates another layer of risk for both markets and the economy, given the linkages between asset values and consumer spending," he says.

Mr. Bushell believes his portfolios, built on North American energy infrastructure, telecommunications, commodity production and consumer staples, are well-positioned for the current volatility and there's been no buying or selling this week.

However, he says if "banks or other quality assets" see a material drop of more than 15 per cent, we may look at deploying some of our excess cash, especially for new clients with elevated cash positions."

He said the firm had been considering trimming its holdings in **Agnico Eagle Mines Ltd.** (AEM-T (/investing/markets/stocks/AEM-T/) +0.04% ▲) given its runup in recent years, but is "hanging tight" for now.

"For investors whose portfolios are prepared for volatility and/or have excess cash, they should sit back and wait for opportunities to present themselves," he says. "That is what we will be doing."

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Brooke Thackray, research analyst at Global X Investments Canada Inc. in Toronto

Mr. Thackray doesn't see this week's selloff as a "buy the dip" moment, believing volatility will increase and markets could potentially move lower.

"Initially, on Monday, the market's reaction was fairly subdued as investors perceived that the U.S. had the situation under control and the war may not last long," he says. "The perception is shifting and there is a realization that the war may drag on longer than initially expected."

He believes the European economy – already in bad shape despite the relatively strong performance of its markets - could worsen as a tighter energy supply (including natural gas) could make manufacturing in Europe more expensive and lead to an increase in the overall cost of living.

"The result will be an even slower growth European economy, which could put additional downward pressure on the European stock market," he says.

Still, Mr. Thackray says investors shouldn't panic and make rash buying or selling decisions.

"It's not that changes to a portfolio can't be made, but they are best not made rashly or based upon emotion," he says. "It's very difficult to predict the direction of a war. Anything can happen, including peace breaking out in Iran. It's important for investors to stay within their risk tolerances."

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Daymon Loeb, partner and chief executive officer at Ravenstone Capital Management Inc. in Toronto

Mr. Loeb cautions investors that predictions about how current events impact the economy and business fundamentals are historically incorrect - and costly.

He cites the 2002-2003 Iraq War when the initial market reaction was negative but ended up being "counterintuitive," resulting in a 26-per-cent rally in the S&P 500 by the end of 2023. "This after significant pre-war weakness," he says.

“The biggest investment errors are typically made during periods of heightened uncertainty,” Mr. Loeb adds, urging investors to stick with their investment plans

“This too shall pass,” he says, while noting market volatility is also a good time to re-evaluate your asset allocation. “You’re most likely to panic if your portfolio is overexposed to equities or other risky assets in a portfolio. ... Know what you own, understand the strategy in place, because sometimes risk hides in the least obvious places.”

Adds Mr. Loeb: “You want an umbrella without holes in it before the storm starts.”

While his team isn’t making any major portfolio changes at this time, he says it has been using cash on hand to add to core holdings isuch as **Microsoft Corp.** (MSFT-Q (/investing/markets/stocks/MSFT-Q/) +0.28% ▲), **Visa Inc.** (V-N (/investing/markets/stocks/V-N/) -1.39% ▼), **S&P Global Inc.** (SPGI-N (/investing/markets/stocks/SPGI-N/) -0.06% ▼) and **Brookfield Corp**. (BN-T (/investing/markets/stocks/BN-T/) -2.81% ▼).

“Despite negative market sentiment, the long-term fundamentals of these companies remain intact,” he says.

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Paul Carter, chief investment officer at Capstone Asset Management Inc. in Langley, B.C.

Mr. Carter says he’s reminding clients this week that “geopolitical events, while unsettling, rarely create permanent capital impairment for diversified portfolios.”

He says the renewed conflict in the Middle East has increased short-term uncertainty, “but markets tend to price in risk quickly and then refocus on underlying earnings fundamentals and monetary policy conditions.”

Adds Mr. Carter: “Our message is to stay disciplined, avoid emotional reactions, and remain focused on long-term objectives.”

While his team isn’t making any portfolio shifts purely in response to the conflict, he does see some buying opportunities.

In his Canadian equity portfolios, he’s using cash to add to “high conviction positions that have underperformed” such as **Open Text Corp.** (OTEX-T (/investing/markets/stocks/OTEX-T/) +0.07% ▲) and **B2Gold Corp**. (BTO-T (/investing/markets/stocks/BTO-T/) +0.70% ▲).

In his U.S. equity portfolios, he’s adding to more defensive names, including **Prestige Consumer Healthcare Inc.** (PBH-N (/investing/markets/stocks/PBH-N/) -1.71% ▼).

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John Zechner, chairman and lead equity manager at Toronto-based J. Zechner Associates Inc.

Mr. Zechner has been using cash in his portfolios to add beaten-down stocks this week. On Tuesday, he bought some gold stocks, including **Barrick Mining Corp.** (ABX-T (/investing/markets/stocks/ABX-T/) -0.18% ▼) and **Torex Gold Resources Inc.** (TXG-T (/investing/markets/stocks/TXG-T/) +1.88% ▲) and added some technology stocks such as **Microsoft Corp**. (MSFT-Q (/investing/markets/stocks/MSFT-Q/) +0.28% ▲) **Salesforce Inc.** (CRM-N (/investing/markets/stocks/CRM-N/) +0.12% ▲).

“[We’re] not selling any stocks in the portfolio today, but we are selling our position in long-term U.S. bonds (TLT-Q (/investing/markets/stocks/TLT-Q/) -0.54% ▼) on the rally in bonds in the past month and in the U.S. dollar over the past few days," he says. “We are concerned that higher oil prices will keep inflation elevated and therefore reduce the ability of central banks to cut interest rates in line with market expectations.”

Like most money managers, he advocates sticking to longer-term strategies geared towards individual investors.

"However, investors should adjust their asset mix on a regular basis to make sure it is in line with their defined ranges. On a short-term trading basis, most geopolitical risk events like this do not tend to have long-term impacts, so we are more likely to 'fade the trade' (i.e. reduce names such as oil stocks that have rallied and add to those that have fallen)."

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Stan Wong, portfolio manager and senior wealth adviser, Scotia Wealth Management in Toronto

Mr. Wong is reminding clients right now that volatility driven by geopolitical events is typically sharp, but short-lived.

"Markets have a long history of absorbing these shocks and quickly refocusing on fundamentals like earnings and economic growth. Most importantly, fear is not a strategy," he says. "The real risk is reacting emotionally and making decisions that derail long-term plans."

His team is "selectively" adding to sectors that it believes have strong structural tailwinds, including AI infrastructure, industrials tied to electrification, energy and commodities, which tend to benefit from both secular demand and geopolitical uncertainty.

"Volatility often creates mispricing in high-quality companies, which is what we are leaning into," he says.

Despite the recent market pounding, Mr. Wong cautions investors to resist the urge to "go to cash."

"That decision is rarely temporary and often results in missing the recovery, which tends to happen quickly and without warning," he says. "Volatility is uncomfortable, but it's also where opportunity is created. Investors should stay disciplined and, where appropriate, lean into it rather than step away."

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Michelle Head Kim, vice-president and portfolio manager at Lorne Steinberg Wealth Management Inc. in Toronto

Ms. Head Kim is telling investors that volatility, while scary, is “perfectly normal” in equity market investing, especially for long-term investors.

“Geopolitical events like these understandably introduce periods of uncertainty and short-term volatility in financial markets,” she says. “While such developments are outside of our control, our focus remains firmly on what we can control: maintaining a well-balanced portfolio of high-quality businesses that meet our rigorous balance sheet criteria.”

She says that includes companies with “durable competitive advantages and resilient earnings power – characteristics that enable them to navigate market shocks, economic slowdowns, and geopolitical conflicts, and often emerge in a stronger competitive position over time."

Her team isn’t rushing out to buy equities in the current selloff but, as value investors, is looking for opportunities to buy stocks they like at attractive valuations.

“Any student of stock market history will tell you that a sell-off in stocks owing to a major conflict has historically proven a good buying opportunity for those with a longer-term time horizon (not next week or next month),” she says.

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Jennifer Tozser, senior wealth adviser at National Bank Financial Wealth Management in Calgary

Ms. Tozser also sees the negative market reaction as short-term and a lesson for investors to stay the course.

“We saw this when Russia invaded Ukraine, and again during other geopolitical flashpoints—markets initially sell off as uncertainty rises," she says. However, history also shows that once investors understand how these events affect day-to-day economic activity, markets often stabilize and recover. These geopolitical shocks are typically sharp, emotional reactions rather than long-lasting changes to economic fundamentals."

As for oil prices, she says markets are likely pricing in a temporary risk premium of about US$10 per barrel and potentially up to US$20 if the conflict were to persist or escalate.

“That said, history suggests that once tensions ease or shipping routes reopen, oil prices tend to retrace relatively quickly,” she notes.

From a portfolio perspective, she’s not making any changes, since they would just be reactive.

“A well-diversified, disciplined strategy should be able to stay the course through periods of volatility," she says. “It’s also important to recognize that volatility itself is not unusual – and it’s not going away.... Volatility is simply the price we pay for long-term equity returns, not a signal that something is broken."

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Anil Tahiliani, senior portfolio manager at Matco Financial Inc. in Calgary

Mr. Tahiliani says he has seen similar “fog of war” sell-offs in the past 35 years of investing.

Every war provides a buying opportunity for long-term investors,” he adds.

He recently added to his utilities and gold-sector exposure, noting that he’s been invested in gold stocks since 2024, when the metal was priced at US$2,000. “We still remain bullish on gold for the long term,” he says.

“Look through the noise of the media, economic fundamentals remain intact,” he says, adding his belief that there will not be a recession in Canada or the U.S. in the next year.

"There's lots of fiscal spending ahead by governments and low interest rates with tame inflation support economic expansion over the next year," he says.

His advice to investors? "Use others' emotional selling to your advantage. Speak with your advisor, check your asset allocation, buy on the stock market pullback and focus on high-quality companies since you expect markets to be higher six to 12 months from now."

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Craig Jerusalim, a senior portfolio manager at CIBC Asset Management in Toronto

Mr. Jerusalim says his team is using the market weakness to add "high-quality companies that are economically insensitive and unaffected by commodity price spikes."

He adds: "When volatility spikes, correlations all move to '1' – meaning the good, the bad and the ugly are all sold together regardless of quality. This indifference then gives us the opportunity to add to the relative winners within oversold sectors that are more likely to recover more quickly."

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Barry Schwartz, president and chief investment officer at Baskin Wealth Management in Toronto

Mr. Schwartz is keeping pragmatic amid the market turmoil this week.

"No material changes; business as usual," he says.

"While the events are concerning, the best advice is to take no action based on daily macro-events. If an investment has pulled back materially just because of volatility, you should probably buy more," he says.

"The market wants you to get scared out and sell so they can buy your assets at a discount. Ignore the noise and focus on fundamentals. If you have confidence that the company you own is well-managed, will sell more products and services in the future, and the valuation is reasonable, you should welcome any downturn to buy more for the long-term."

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Stephen Takacsy, chief executive officer and chief investment officer at Lester Asset Management Inc. in Montreal

Mr. Takacsy agrees that long-term investors shouldn't sell when markets are in panic mode. However, it may be a good time to buy.

"We are always looking to buy quality companies on sale, in no particular sector, since we are long-term investors, not momentum chasers," he says. "One needs to be careful because oil stocks can quickly correct and some defence stocks have already run up to unsustainable valuations."

He also believes the U.S. conflict with Iran will be short-lived, especially given the potential economic fallout.

"It's very unpopular with Americans and will drive up gasoline and heating costs, negatively affecting the US consumer who is still very upset about price inflation," he says.

His advice to investors? "Sit tight as always during volatility and ride it out and take advantage of volatility to buy quality stocks at better prices. This geopolitical turmoil, too, will pass."

He, too, believes the U.S. conflict with Iran will be short-lived, especially given the potential economic fallout.

The responses have been edited and condensed.